

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 ACDA-07 CIAE-00 INR-07

L-03 NSAE-00 NSC-05 EB-08 NRC-05 OES-06 FEAE-00

DODE-00 ERDA-05 PM-04 H-01 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 IGA-02 /119 W

-----211523Z 024892 /43

P R 211430Z MAR 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 0651

INFO AMEMBASSY BONN

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

USMISSION IAEA VIENNA

USMISSION EC BRUSSELS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 2180

E.O. 11652: GDS

TAGS: TECH, ENRG, PARM, EFIN, SHUM, MASS, PFOR, BR, GW

SUBJECT: APPARENTLY AUTHORITATIVE BRAZILIAN PRESS BACKGROUNDER
ON THE NUCLEAR ISSUE AND THE US-BRAZILIAN RELATIONSHIP

1. SUMMARY AN APPARENTLY AUTHORITATIVE PRESS BACKGROUNDER
IN GAZETA MERCANTIL QUOTES A PRESIDENTIAL ADVISOR AS SAYING
THE GOB IS EXPECTING US ECONOMIC-FINANCIAL PRESSURES, PERHAPS
THROUGH TYING OF IDB AND IBRD LOANS TO ACCEPTANCE OF NON-PROLI-
FERATION PRINCIPLES. THE ADVISOR SAID THE DENUNCIATION OF
THE US-BRAZILIAN SECURITY ASSISTANCE AGREEMENT DOES NOT PRE-
OCCUPY BRAZIL; ALSO JOINT NAVAL OPERATIONS WITH THE US ARE
EXPECTED TO BE SUBSTITUTED BY OPERATIONS WITH THE UK AND
FRANCE. SEPTTEL CONTAINS OUR COMMENTS ON THE MILITARY
EQUIPMENT ISSUE. END SUMMARY.

BEGIN UNCLASSIFIED; BEGIN EXCERPTS FROM GAZETA MERCANTIL
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2. "THE BRAZILIAN GOVERNMENT IS EYOECTING THAT U.S.
PRESSURE NOW WILL TURN TOWARD THE ECONOMIC-FINANCIAL
RELATIONSHIP BETWEEN THE TWO COUNTRIES," AN AUTHORITATIVE
PRESIDENTIAL ADVISOR REVEALED. IT IS BELIEVED IN THE
PRESIDENTIAL PALACE THAT ECONOMIC-FINANCIAL PRESSURE
COULD OCCUR WITH RESPECT TO MULTILATERAL LENDING INSTI-

TUTIONS, SUCH AS THE IDB AND IBRD. UNDER THIS HYPOTHESIS, THESE INSTITUTIONS WOULD BE COMPELLED TO CONCEDE FINANCING ONLY AFTER ACCEPTANCE BY THE BORROWER OF GENERAL PRINCIPLES FOR THE NONPROLIFERATION OF NUCLEAR ARMS.

3. THERE IS AN INDICATION, ACCORDING TO THE SAME INFORMANT, THAT THIS ECONOMIC-FINANCIAL PRESSURE IS STARTING TO OCCUR. AN UNNAMED MULTINATIONAL FIRM WHICH HAS BUSINESS IN BRAZIL AND WEST GERMANY REFUSED LAST WEEK TO EXECUTE AN AGREEMENT WITH BRAZILIAN AUTHORITIES THAT HAD BEEN REACHED WEEKS AGO. TO THIS INDICATION IS JOINED THE SUPPOSITION THAT THE PRESIDENTIAL PALACE ALREADY HAS EXHAUSTED ITS POSSIBILITY FOR MANEUVERS IN THE SHORT RUN, AND (READ BUT) WITHOUT SIGNIFICANT HARM TO ITS POLITICAL PRETENSIONS.

4. THE BRAZILIAN GOVERNMENT AT THE MOMENT IS INTENSELY EXPECTANT ABOUT WHAT PRESSURES WILL BE FORTHCOMING FROM THE AMERICAN SIDE. "UNTIL YESTERDAY ALL THE NEWS AVAILABLE TO THE HIGHEST LEVELS OF THE GOVERNMENT, INDICATED THAT THE GERMANS WERE RESISTING US PRESSURES WITH MUCH FIRMNESS AND DETERMINATION," THE HIGH PRESIDENTIAL ADVISOR SAID. ANALYSES BY THE BRAZILIAN GOVERNMENT INDICATE THAT ALL THE US ACTION UNTIL NOW HAS BEEN CONCENTRATED ON BONN, WHICH IS NO LONGER CONSIDERED THE WEAKER PARTNER IN THE BRAZILIAN-GERMAN AGREEMENT.

5. THE DENUNCIATION OF THE US-BRAZILIAN MILITARY AGREEMENT DOES NOT NOW PREOCCUPY THE BRAZILIAN GOVERNMENT. "THERE ARE ABOUT THIRTY MILITARY STRONTS RECEIVING ALLOWANCES IN THE US," THE SAME INFORMANT SAID. AT THE INTERNAL LEVEL, HOWEVER, CONFIDENTIAL

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THE MILITARY ARM MOST AFFECTED BY DENUNCIATION OF THE AGREEMENT IS THE NAVY, THE ONLY FORCE WHICH MAINTAINS BILATERAL RELATIONS WITH THE U.S. "BESIDES THIS, THE NAVY POSSESSES SIX SHIPS LOANED BY THE US, TWO OF THEM IN THE PROCESS OF BEING PURCHASED BY BRAZIL. THE PURCHASE IS EXPECTED TO BE EFFECTED, BUT THE OTHER VESSELS WILL BE RESTORED TO THEIR OWNERS. AND IN JOINT OPERATIONS, THE NORTH AMERICANS ARE EXPECTED TO BE SUBSTITUTED BY THE ENGLISH OR THE FRENCH," AND AUTHORITY MILITARY SOURCE ASSURED.

6. THE SUCCESSION OF MOVEMENTS LAST WEEK LEFT THE BRAZILIAN GOVERNMENT IN A POSITION OF RELATIVE EASE FROM WHICH TO DIRECT PROJECTS OF POLITICAL REFORM. THE RELEASE OF THE "WHITE BOOK," AND THE REVOCATION OF THE GASOLIN COMPULSORY DEPOSIT SCHEME, "WHICH FOUND MUCH OPPOSITION IN MILITARY CIRCLES," RE-ESTABLISHED AN IMPORTANT MARGIN FOR THE FEDERAL GOVERNMENT.

7. THE ANALYSTS UNDERSTAND THAT IF US PRESSURE REACHES THE ECONOMIC-FINANCIAL LEVEL, IN A WAY THAT SUFFOCATES THE COUNTRY, THE INTERNAL REACTION WILL NECESSARILY BE A CLOSING IN THE POLITICAL AREA. "WHEN BREAD IN THE HOUSE IS LACKING DEBATES CAN NOT BE PERMITTED," ARGUED THE AUTHORITATIVE ADVISOR TO THE PRESIDENT OF THE REPUBLIC.

END UNCLASSIFIED; END, GAZETA EXCERPTS

8. THE THEME IN THE GAZETA ARTICLE THAT THE GOB NOW IS GIRDING FOR US ECONOMIC REPRISALS IS A REFRAIN THE PRESS HAS EMPHASIZED IN THE PAST TWO WEEKS. NONE OF THE PRESS COVERAGE SEEMS TO REFLECT SUBSTANTIAL DOUBTS THAT REPRISALS WILL BE FORTHCOMING, IF NOT AS A RESULT OF RECENT EVENTS, THEN CERTAINLY WHEN THE US UNLEASHES ITS "NUCLEAR PRESSURES." MOST PRESS COMMENTARY SEES BRAIL'S RELIANCE ON US FINANCING AS ITS PRINCIPAL
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VULNERABILITY TO US PRESSURES. THE FINANCE AND PLANNING MINISTERS, AND OTHERS IN BUSINESS SECTORS, HAVE TRIED TO ALLAY FEARS OF REPRISALS OR OF A SPILLOVER OF USG-GOB DIFFICULTIES INTO PRIVATE COMMERCIAL RELATIONSHIPS.

9. COMMENT. WE HAVE BEEN TOLD BY A WELL-PLACED JOURNALIST THAT THE SOURCE OF THE GAZETA ARTICLE MIGHT BE GENERAL HUGO ABREU, CHIEF OF THE PRESIDENT'S MILITARY HOUSEHOLD AND GENERAL SECRETARY AND GENERAL SECRETARY OF THE NATION'S SECURITY COUNCIL, OR PERHAPS LESS LIKELY, ONE OF ABREU'S TOP ADVISORS (E.G., COL. J. S. CASTRO, WHO HAS RESPONSIBILITY IN THE NSC SECRETARIAT FOR THE AFFAIRS OF THE MINISTRY OF MINES AND ENERGY).

10. SEPTEL TREATS MILITARY EQUIPMENT ISSUE.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770096-0475
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Image Path:
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Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3053112
Secure: OPEN
Status: NATIVE
Subject: APPARENTLY AUTHORITATIVE BRAZILIAN PRESS BACKGROUNDER ON THE NUCLEAR ISSUE AND THE US-BRAZILIAN RELATIONSHIP
TAGS: TECH, ENRG, PARM, EFIN, SHUM, MASS, PFOR, BR, GE, US
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/ea845cb5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009